



TOWNSHIP OF CLEMENT
Gladwin County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Clement	County Gladwin
Audit Date March 31, 2005	Opinion Date July 8, 2005	Date Accountant Report Submitted to State: September 3, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

	Enclosed	To Be Forwarded	Not Required
We have enclosed the following:			
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

July 8, 2005

To the Township Board
Township of Clement
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Clement, Gladwin County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Clement's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Clement, Gladwin County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Clement covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Revenues from all funds for the fiscal year 2004-2005 totaled approximately \$472,017.29.

Net assets at March 31, 2005, for all funds totaled \$1,054,162.28.

The Township incurred no new debt during the year. Capital asset purchases for 2004-2005 fiscal year were \$89,276.00.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

The activities of the Township are reported as governmental activities and are treated as business-type funds where the revenues collected are designed to pay for the operations of the activity.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Law requires some funds. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The financial activities of the Township are recorded in separate funds, categorized and described as follows:

Governmental funds: This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state, grants, and other intergovernmental revenues.

Special revenue funds: These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Township cash position for all funds is stable. We continue to pay on a loan to Emergency One for a rescue vehicle until August 2008, and a loan to Independent Bank for air packs until February 2008. Total balance owing on these loans are \$56,935.24.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$104,299.61.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital assets increased with the purchase of the following:

2005 Ford, Quick/Attack fire and rescue vehicle for \$83,862.00 with funding from EMS funds \$10,000.00, Grants \$63,000.00, Private Grants \$10,000.00 (received in 2003-2004) and Wal Mart \$1,000.00 (received in 2003-2004) and Wal Mart \$500.00, accounts payable program for \$1,037.00, Dell 2400 computer and Hewlett Packard printer for \$1,767.00, Apollo hose tester for \$2,610.00.

Assets sold during the fiscal year 2004-2005 are as follows:

1979 International Tanker and equipment on a vehicle for a total of \$2,678.00.

The Township paid \$16,050.52 from the Fire and EMS funds for loans to Emergency One and Independent Bank in the fiscal year 2004-2005.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in new construction and taxable values.

Improvement to the Fire Hall Building and the Township Hall will need to be addressed in the near future.

Roads of Clement Township are slow in being improved without an increase in road taxes.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Supervisor at 1497 East M-30, Alger, Michigan 48610, or by calling 989-345-3915.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	558 454 62
Taxes receivable	<u>32 591 19</u>
Total Current Assets	<u>591 045 81</u>
NON-CURRENT ASSETS:	
Capital Assets	702 715 00
Less: Accumulated Depreciation	<u>(175 790 00)</u>
Total Non-current Assets	<u>526 925 00</u>
TOTAL ASSETS	<u>1 117 970 81</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>6 873 29</u>
Total Current Liabilities	<u>6 873 29</u>
NON-CURRENT LIABILITIES:	
Notes payable	<u>56 935 24</u>
Total Non-current Liabilities	<u>56 935 24</u>
Total Liabilities	<u>63 808 53</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	469 989 76
Unrestricted	<u>584 172 52</u>
Total Net Assets	<u>1 054 162 28</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 117 970 81</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		Program Revenue		Governmental Activities
				Net (Expense)
	Expenses	Charges for Services	Capital Grants - Contributions	Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	20 233 96	-	-	(20 233 96)
General government	81 795 33	21 817 80	-	(59 977 53)
Public safety	97 277 19	-	63 000 00	(34 277 19)
Public works	240 834 79	93 225 00	-	(147 609 79)
Interest on long-term debt	3 489 68	-	-	(3 489 68)
Total Governmental Activities	<u>443 630 95</u>	<u>115 042 80</u>	<u>63 000 00</u>	<u>(265 588 15)</u>
General Revenues:				
Property taxes				194 078 58
State revenue sharing				70 546 61
Interest				6 839 93
Miscellaneous				<u>22 509 37</u>
Total General Revenues				<u>293 974 49</u>
Change in net assets				28 386 34
Net assets, beginning of year				<u>1 025 775 94</u>
Net Assets, End of Year				<u>1 054 162 28</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>EMS</u>
<u>Assets</u>			
Cash in bank	249 955 17	71 728 60	62 349 91
Taxes receivable	4 343 40	3 925 04	3 846 13
Due from other funds	<u>146 55</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>254 445 12</u></u>	<u><u>75 653 64</u></u>	<u><u>66 196 04</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>3 024 13</u>	<u>3 418 08</u>	<u>266 20</u>
Total liabilities	<u>3 024 13</u>	<u>3 418 08</u>	<u>266 20</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>251 420 99</u>	<u>72 235 56</u>	<u>65 929 84</u>
Total fund equity	<u>251 420 99</u>	<u>72 235 56</u>	<u>65 929 84</u>
Total Liabilities and Fund Equity	<u><u>254 445 12</u></u>	<u><u>75 653 64</u></u>	<u><u>66 196 04</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Millage Road</u>	<u>Garbage</u>	<u>Other Funds</u>	<u>Total</u>
74 649 48	88 845 48	10 779 43	558 308 07
7 701 62	12 640 00	135 00	32 591 19
-	-	-	146 55
<u>82 351 10</u>	<u>101 485 48</u>	<u>10 914 43</u>	<u>591 045 81</u>
-	-	164 88	6 873 29
-	-	164 88	6 873 29
<u>82 351 10</u>	<u>101 485 48</u>	<u>10 749 55</u>	<u>584 172 52</u>
<u>82 351 10</u>	<u>101 485 48</u>	<u>10 749 55</u>	<u>584 172 52</u>
<u>82 351 10</u>	<u>101 485 48</u>	<u>10 914 43</u>	<u>591 045 81</u>

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	584 172 52
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	702 715 00
Accumulated depreciation	(175 790 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	<u>(56 935 24)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 054 162 28</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>EMS</u>
Revenues:			
Property taxes	28 978 16	41 894 98	41 049 37
Federal grant	-	31 500 00	31 500 00
State revenue sharing	66 311 00	-	-
Charges for services – PTAF	21 817 80	-	-
Interest	2 357 06	722 84	580 91
Special assessments	-	-	-
Miscellaneous	16 054 93	6 442 12	12 32
Total revenues	<u>135 518 95</u>	<u>80 559 94</u>	<u>73 142 60</u>
Expenditures:			
Legislative:			
Township Board	20 233 96	-	-
General government:			
Supervisor	8 146 97	-	-
Elections	2 167 22	-	-
Assessor	20 971 91	-	-
Clerk	10 103 18	-	-
Board of Review	1 571 27	-	-
Treasurer	16 171 31	-	-
Building and grounds	14 661 47	-	-
Cemetery	300 00	-	-
Public safety:			
Liquor control	-	-	-
Fire protection	-	23 406 73	-
EMS	-	-	15 141 54
Planning and zoning	3 010 75	-	-
Protective inspection	2 006 25	-	-
Public works:			
Highways and streets	-	-	-
Street lights	-	-	-
Sanitation	891 81	-	-
Weed control	1 259 51	-	-
Capital outlay	2 804 00	44 701 22	41 770 78
Debt service	-	14 924 46	4 615 74
Total expenditures	<u>104 299 61</u>	<u>83 032 41</u>	<u>61 528 06</u>
Excess (deficiency) of revenues over expenditures	<u>31 219 34</u>	<u>(2 472 47)</u>	<u>11 614 54</u>
Other financing sources (uses):			
Operating transfers in	-	3 339 00	300 00
Operating transfers out	(4 259 00)	-	-
Total other financing sources (uses)	<u>(4 259 00)</u>	<u>3 339 00</u>	<u>300 00</u>

The accompanying notes are an integral part of these financial statements.

<u>Millage Road</u>	<u>Garbage</u>	<u>Other Funds</u>	<u>Total</u>
82 156 07	-	-	194 078 58
-	-	-	63 000 00
1 799 11	-	2 436 50	70 546 61
-	-	-	21 817 80
2 334 14	692 13	152 85	6 839 93
-	91 680 00	1 545 00	93 225 00
-	-	-	22 509 37
<u>86 289 32</u>	<u>92 372 13</u>	<u>4 134 35</u>	<u>472 017 29</u>
-	-	-	20 233 96
-	-	-	8 146 97
-	-	-	2 167 22
-	-	-	20 971 91
-	-	-	10 103 18
-	-	-	1 571 27
-	-	-	16 171 31
-	-	-	14 661 47
-	-	-	300 00
-	-	2 482 92	2 482 92
-	-	-	23 406 73
-	-	-	15 141 54
-	-	-	3 010 75
-	-	-	2 006 25
146 379 43	-	5 931 39	152 310 82
-	-	123 38	123 38
-	86 249 27	-	87 141 08
-	-	-	1 259 51
-	-	-	89 276 00
-	-	-	19 540 20
<u>146 379 43</u>	<u>86 249 27</u>	<u>8 537 69</u>	<u>490 026 47</u>
<u>(60 090 11)</u>	<u>6 122 86</u>	<u>(4 403 34)</u>	<u>(18 009 18)</u>
-	-	620 00	4 259 00
-	-	-	(4 259 00)
-	-	620 00	-

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>EMS</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	26 960 34	866 53	11 914 54
Fund balances, April 1	<u>224 460 65</u>	<u>71 369 03</u>	<u>54 015 30</u>
Fund Balances, March 31	<u>251 420 99</u>	<u>72 235 56</u>	<u>65 929 84</u>

The accompanying notes are an integral part of these financial statements.

<u>Millage Road</u>	<u>Garbage</u>	<u>Other Funds</u>	<u>Total</u>
(60 090 11)	6 122 86	(3 783 34)	(18 009 18)
<u>142 441 21</u>	<u>95 362 62</u>	<u>14 532 89</u>	<u>602 181 70</u>
<u>82 351 10</u>	<u>101 485 48</u>	<u>10 749 55</u>	<u>584 172 52</u>

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (18 009 18)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(58 931 00)
Capital Outlay	89 276 00

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>16 050 52</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>28 386 34</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Clement, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Clement. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 3.3735 mills, and the taxable value was \$44,428,615.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$526,925.00.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>558 813 41</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>380 399 18</u>
Total Deposits	<u>580 399 18</u>

The Township of Clement did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Buildings	176 366 00	-	-	176 366 00
Equipment	<u>437 073 00</u>	<u>89 276 00</u>	<u>-</u>	<u>526 349 00</u>
Total	613 439 00	89 276 00	-	702 715 00
Accumulated Depreciation	<u>(116 859 00)</u>	<u>(58 931 00)</u>	<u>-</u>	<u>(175 790 00)</u>
Net Capital Assets	<u>496 580 00</u>	<u>30 345 00</u>	<u>-</u>	<u>526 925 00</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 8 – Building Permits

The Township of Clement does not issue building permits.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	146 55	Current Tax Collection	146 55
Total	<u>146 55</u>	Total	<u>146 55</u>

Note 10 – Capital Assets

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Note payable – rescue unit	39 578 04	-	8 011 60	31 566 44
Note payable – fire equipment	<u>33 407 72</u>	<u>-</u>	<u>8 038 92</u>	<u>25 368 80</u>
Total	<u>72 985 76</u>	<u>-</u>	<u>16 050 52</u>	<u>56 935 24</u>

Note 11 – Note Payable – Rescue Unit

The Township acquired a rescue unit financed through Emergency One. The monthly payment of \$859.06 includes interest at the rate of 6.39% per annum. The principal balance outstanding on March 31, 2005, was \$31,566.44.

Note 12 – Note Payable – Fire Equipment

The Township acquired fire equipment financed through Independent Bank. The monthly payment of \$769.29 includes interest at the rate of 3.95% per annum. The principal balance outstanding on March 31, 2005, was \$25,368.80.

Note 13 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Fire	3 339 00	General	4 259 00
EMS	300 00		
Liquor	500 00		
Cedar Lake Finkbinder			
Street lights	<u>120 00</u>		
Total	<u>4 259 00</u>	Total	<u>4 259 00</u>

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	28 261 00	30 541 00	28 978 16	(1 562 84)
State revenue sharing	50 000 00	66 328 00	66 311 00	(17 00)
Charges for services – PTAF	21 816 00	22 225 00	21 817 80	(407 20)
Interest	1 200 00	2 785 00	2 357 06	(427 94)
Miscellaneous	16 319 00	18 282 44	16 054 93	(2 227 51)
Total revenues	117 596 00	140 161 44	135 518 95	(4 642 49)
Expenditures:				
Legislative:				
Township Board	29 882 00	28 332 00	20 233 96	(8 098 04)
General government:				
Supervisor	8 469 00	8 469 00	8 146 97	(322 03)
Elections	2 980 00	3 180 00	2 167 22	(1 012 78)
Assessor	21 290 00	21 875 00	20 971 91	(903 09)
Clerk	9 949 00	10 839 00	10 103 18	(735 82)
Board of Review	1 520 00	1 818 00	1 571 27	(246 73)
Treasurer	16 665 00	17 483 00	16 171 31	(1 311 69)
Building and grounds	23 617 00	25 512 00	14 661 47	(10 850 53)
Cemetery	300 00	300 00	300 00	-
Public safety:				
Planning and zoning	5 856 00	6 056 00	3 010 75	(3 045 25)
Protective inspection	2 081 00	2 081 00	2 006 25	(74 75)
Public works:				
Sanitation	-	1 020 00	891 81	(128 19)
Weed control	6 800 00	6 818 00	1 259 51	(5 558 49)
Capital outlay	6 000 00	6 000 00	2 804 00	(3 196 00)
Total expenditures	135 409 00	139 783 00	104 299 61	(35 483 39)
Excess (deficiency) of revenues over expenditures	(17 813 00)	378 44	31 219 34	30 840 90
Other financing sources (uses):				
Operating transfers in	(6 401 00)	(5 459 00)	(4 259 00)	1 200 00
Total other financing sources (uses)	(6 401 00)	(5 459 00)	(4 259 00)	1 200 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	(24 214 00)	(5 080 56)	26 960 34	32 040 90
Fund balance, April 1	24 214 00	5 080 56	224 460 65	219 380 09
Fund Balance, March 31	-	-	251 420 99	251 420 99

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	40 899 00	44 200 00	41 894 98	(2 305 02)
Federal grant	-	31 500 00	31 500 00	-
Interest	350 00	620 00	722 84	102 84
Miscellaneous	6 010 00	6 776 00	6 442 12	(333 88)
Total revenues	<u>47 259 00</u>	<u>83 096 00</u>	<u>80 559 94</u>	<u>(2 536 06)</u>
Expenditures:				
Public safety:				
Fire protection	19 178 00	27 999 00	23 406 73	(4 592 27)
Capital outlay	3 800 00	44 702 00	44 701 22	(78)
Debt service	18 025 00	14 934 00	14 924 46	(9 54)
Total expenditures	<u>41 003 00</u>	<u>87 635 00</u>	<u>83 032 41</u>	<u>(4 602 59)</u>
Excess (deficiency) of revenues over expenditures	<u>6 256 00</u>	<u>(4 539 00)</u>	<u>(2 472 47)</u>	<u>2 066 53</u>
Other financing sources (uses):				
Operating transfers in	<u>3 000 00</u>	<u>4 539 00</u>	<u>3 339 00</u>	<u>(1 200 00)</u>
Total other financing sources (uses)	<u>3 000 00</u>	<u>4 539 00</u>	<u>3 339 00</u>	<u>(1 200 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	9 256 00	-	866 53	866 53
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>71 369 03</u>	<u>71 369 03</u>
Fund Balance, March 31	<u>9 256 00</u>	<u>-</u>	<u>72 235 56</u>	<u>72 235 56</u>

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – EMS FUND

Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	40 024 00	43 258 00	41 049 37	(2 208 63)
Federal grant	-	31 500 00	31 500 00	-
Interest	35 00	578 00	580 91	2 91
Miscellaneous	1 770 00	1 527 00	12 32	(1 514 68)
Total revenues	41 829 00	76 863 00	73 142 60	(3 720 40)
Expenditures:				
Public safety:				
EMS	27 075 00	19 565 00	15 141 54	(4 423 46)
Capital outlay	2 400 00	42 548 00	41 770 78	(777 22)
Debt service	5 281 00	4 765 00	4 615 74	(149 26)
Total expenditures	34 756 00	66 878 00	61 528 06	(5 349 94)
Excess (deficiency) of revenues over expenditures	7 073 00	9 985 00	11 614 54	1 629 54
Other financing sources (uses):				
Operating transfers in	-	300 00	300 00	-
Total other financing sources (uses)	-	300 00	300 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	7 073 00	10 285 00	11 914 54	1 629 54
Fund balance, April 1	-	-	54 015 30	54 015 30
Fund Balance, March 31	7 073 00	10 285 00	65 929 84	55 644 84

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – MILLAGE ROAD FUND

Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	87 183 00	86 673 00	82 156 07	(4 516 93)
State revenue sharing	-	1 800 00	1 799 11	(89)
Interest	3 610 00	3 005 00	2 334 14	(670 86)
Total revenues	90 793 00	91 478 00	86 289 32	(5 188 68)
Expenditures:				
Public works:				
Highways and streets	121 470 00	149 232 00	146 379 43	(2 852 57)
Total expenditures	121 470 00	149 232 00	146 379 43	(2 852 57)
Excess (deficiency) of revenues over expenditures	(30 677 00)	(57 754 00)	(60 090 11)	(2 336 11)
Fund balance, April 1	30 677 00	57 754 00	142 441 21	84 687 21
Fund Balance, March 31	-	-	82 351 10	82 351 10

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GARBAGE FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	500 00	675 00	692 13	17 13
Special assessments	80 150 00	90 872 00	91 680 00	808 00
Total revenues	80 650 00	91 547 00	92 372 13	825 13
Expenditures:				
Public works:				
Sanitation	86 225 00	86 253 00	86 249 27	(3 73)
Total expenditures	86 225 00	86 253 00	86 249 27	(3 73)
Excess (deficiency) of revenues over expenditures	(5 575 00)	5 294 00	6 122 86	828 86
Fund balance, April 1	5 575 00	-	95 362 62	95 362 62
Fund Balance, March 31	-	5 294 00	101 485 48	96 191 48

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2005

	<u>Fire</u>	<u>EMS</u>	<u>Millage Road</u>	<u>Garbage</u>
<u>Assets</u>				
Cash in bank	71 728 60	62 349 91	74 649 48	88 845 48
Taxes receivable	<u>3 925 04</u>	<u>3 846 13</u>	<u>7 701 62</u>	<u>12 640 00</u>
Total Assets	<u>75 653 64</u>	<u>66 196 04</u>	<u>82 351 10</u>	<u>101 485 48</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>3 418 08</u>	<u>266 20</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3 418 08</u>	<u>266 20</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>72 235 56</u>	<u>65 929 84</u>	<u>82 351 10</u>	<u>101 485 48</u>
Total fund equity	<u>72 235 56</u>	<u>65 929 84</u>	<u>82 351 10</u>	<u>101 485 48</u>
Total Liabilities and Fund Equity	<u>75 653 64</u>	<u>66 196 04</u>	<u>82 351 10</u>	<u>101 485 48</u>

<u>Bensch Road</u>	<u>Hillis Drive Road</u>	<u>Loebrick Road</u>	<u>Cedar Lake Finkbinder Street Light</u>	<u>Liquor</u>	<u>Total</u>
4 326 07	2 122 78	2 982 85	231 88	1 115 85	308 352 90
-	75 00	60 00	-	-	28 247 79
<u>4 326 07</u>	<u>2 197 78</u>	<u>3 042 85</u>	<u>231 88</u>	<u>1 115 85</u>	<u>336 600 69</u>
130 00	-	-	9 38	25 50	3 849 16
130 00	-	-	9 38	25 50	3 849 16
4 196 07	2 197 78	3 042 85	222 50	1 090 35	332 751 53
4 196 07	2 197 78	3 042 85	222 50	1 090 35	332 751 53
<u>4 326 07</u>	<u>2 197 78</u>	<u>3 042 85</u>	<u>231 88</u>	<u>1 115 85</u>	<u>336 600 69</u>

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Fire</u>	<u>EMS</u>	<u>Millage Road</u>	<u>Garbage</u>
Revenues:				
Property taxes	41 894 98	41 049 37	82 156 07	-
Federal grant	31 500 00	31 500 00	-	-
State revenue sharing	-	-	1 799 11	-
Interest	722 84	580 91	2 334 14	692 13
Special assessments	-	-	-	91 680 00
Miscellaneous	<u>6 442 12</u>	<u>12 32</u>	<u>-</u>	<u>-</u>
Total revenues	<u>80 559 94</u>	<u>73 142 60</u>	<u>86 289 32</u>	<u>92 372 13</u>
Expenditures:				
Public safety:				
Liquor control	-	-	-	-
Fire protection	23 406 73	-	-	-
EMS	-	15 141 54	-	-
Public works:				
Highways and streets	-	-	146 379 43	-
Street lights	-	-	-	-
Sanitation	-	-	-	86 249 27
Capital outlay	44 701 22	41 770 78	-	-
Debt service	<u>14 924 46</u>	<u>4 615 74</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>83 032 41</u>	<u>61 528 06</u>	<u>146 379 43</u>	<u>86 249 27</u>
Excess (deficiency) of revenues over expenditures	<u>(2 472 47)</u>	<u>11 614 54</u>	<u>(60 090 11)</u>	<u>6 122 86</u>
Other financing sources (uses):				
Operating transfers in	<u>3 339 00</u>	<u>300 00</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>3 339 00</u>	<u>300 00</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	866 53	11 914 54	(60 090 11)	6 122 86
Fund balances, April 1	<u>71 369 03</u>	<u>54 015 30</u>	<u>142 441 21</u>	<u>95 362 62</u>
Fund Balances, March 31	<u><u>72 235 56</u></u>	<u><u>65 929 84</u></u>	<u><u>82 351 10</u></u>	<u><u>101 485 48</u></u>

<u>Bensch Road</u>	<u>Hillis Drive Road</u>	<u>Loebrich Road</u>	<u>Cedar Lake Finkbinder Street Light</u>	<u>Liquor</u>	<u>Total</u>
-	-	-	-	-	165 100 42
-	-	-	-	-	63 000 00
-	-	-	-	2 436 50	4 235 61
67 25	23 27	43 59	3 22	15 52	4 482 87
-	825 00	720 00	-	-	93 225 00
-	-	-	-	-	6 454 44
<u>67 25</u>	<u>848 27</u>	<u>763 59</u>	<u>3 22</u>	<u>2 452 02</u>	<u>336 498 34</u>
-	-	-	-	2 482 92	2 482 92
-	-	-	-	-	23 406 73
-	-	-	-	-	15 141 54
2 812 31	1 909 08	1 210 00	-	-	152 310 82
-	-	-	123 38	-	123 38
-	-	-	-	-	86 249 27
-	-	-	-	-	86 472 00
-	-	-	-	-	19 540 20
<u>2 812 31</u>	<u>1 909 08</u>	<u>1 210 00</u>	<u>123 38</u>	<u>2 482 92</u>	<u>385 726 86</u>
<u>(2 745 06)</u>	<u>(1 060 81)</u>	<u>(446 41)</u>	<u>(120 16)</u>	<u>(30 90)</u>	<u>(49 228 52)</u>
-	-	-	120 00	500 00	4 259 00
-	-	-	120 00	500 00	4 259 00
(2 745 06)	(1 060 81)	(446 41)	(16)	469 10	(44 969 52)
<u>6 941 13</u>	<u>3 258 59</u>	<u>3 489 26</u>	<u>222 66</u>	<u>621 25</u>	<u>377 721 05</u>
<u>4 196 07</u>	<u>2 197 78</u>	<u>3 042 85</u>	<u>222 50</u>	<u>1 090 35</u>	<u>332 751 53</u>

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>191 24</u>	<u>1 590 979 73</u>	<u>1 590 665 63</u>	<u>505 34</u>
<u>Liabilities</u>				
Due to other funds	191 24	277 178 51	277 223 20	146 55
Due to other units	<u>-</u>	<u>1 313 801 22</u>	<u>1 313 442 43</u>	<u>358 79</u>
Total Liabilities	<u>191 24</u>	<u>1 590 979 73</u>	<u>1 590 665 63</u>	<u>505 34</u>

TOWNSHIP OF CLEMENT
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash in bank -- beginning of year	<u>191 24</u>
Cash receipts:	
Property taxes	<u>1 590 979 73</u>
Total cash receipts	<u>1 590 979 73</u>
Total beginning balance and cash receipts	<u>1 591 170 97</u>
Cash disbursements:	
Gladwin County	624 575 27
COOR Intermediate School District	36 208 54
Kirtland Community College	92 653 28
West Branch-Rose City Schools	558 561 08
Township General Fund	46 967 32
Township Fire Fund	38 003 40
Township EMS Fund	37 238 52
Township Millage Road Fund	74 563 96
Township Garbage Fund	79 040 00
Township Hillis Drive Road Fund	750 00
Township Loebrich Road Fund	660 00
Refunds	<u>1 444 26</u>
Total cash disbursements	<u>1 590 665 63</u>
Cash in Bank -- End of Year	<u><u>505 34</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 8, 2005

To the Township Board
Township of Clement
Gladwin County, Michigan

We have audited the financial statements of the Township of Clement for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Clement in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Clement
Gladwin County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Clement began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Clement
Gladwin County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants